

## Section 2. Market Study

## EXECUTIVE SUMMARY

### Overview

Hopewell is one of three cities in what is known as the Tri-Cities area that surrounds the Fort Lee U.S. Army base. Along with the base, the towns together have long been a community within the greater Richmond region. Petersburg is the largest of the three cities with a population of 33,000. It is widely known for its historic Civil War battlefield, a national park today, and retains an extensive inventory of historic buildings within its original colonial street grid. Colonial Heights is the smallest of the cities (17,300 population) but is newer than the other two. It is more of a middle- to upper-middle-income suburban community with higher value housing and competitive shopping options serving Petersburg and Hopewell as well as Fort Lee. With a population of 22,000 and a fading heavy industrial base, Hopewell is a working class community with mostly older, modest housing and relatively few contemporary shopping facilities. The three cities have a common bond and denominator in their relationship to Fort Lee. Especially with the decline of the chemical plants and refineries in Hopewell, the base is the largest and most important source of employment and procurements in the Tri-Cities area and one of the most important in the Richmond region.

The Base Realignment and Closure plan (BRAC) announced by the Department of Defense and ratified by Congress in May 2005 will have significant positive impacts on Hopewell and its neighboring communities. Expansion of activities at Fort Lee will significantly increase the number of permanent jobs (by almost 85 percent), plus there will be a large increase in the number of personnel visiting the base for varying periods of time for training. These additions are expected to bring more than 10,000 new permanent residents to the area. Since only about 70 new residences will be added at the base, there will be some 3,800 new households arriving who will need to seek off-base housing, mostly in the surrounding neighborhoods and communities.

If it is to take advantage of this significant opportunity for residential growth, Hopewell will need to foster a wide variety of attractive housing options within its boundaries for these new residents. The Hopewell housing market has seen very little growth for many years. While the Richmond region is showing strong growth overall, it is largely bypassing the Tri-Cities area as it spills into exurban locations in nearby portions of the surrounding suburban counties of Chesterfield, Dinwiddie and Prince George. Overall, the housing inventory in Hopewell is older and less attractive to new residents than the products being provided in these outlying places, especially to the kinds of younger buyers and renters who will make up a significant portion of the new personnel at Fort Lee. In addition to providing market momentum for the creation of new housing options in Hopewell, the Fort Lee expansion presents a unique opportunity to significantly upgrade the city's older housing stock and commercial infrastructure while capturing a larger proportion of the overall growth in the regional housing market.

## Summary of the Hopewell Housing Market

The housing inventory in the City of Hopewell is dominated by smaller, single story, post-World War II homes in modest to poor condition. Yet, there are pockets of attractive and well maintained historic homes and several clusters of newer, high value and quality homes.

The median home in Hopewell is about 40 years old with a value of less than \$120,000. A significant number of single family homes have been converted from owner-occupancy to rental properties over recent years, suggesting that the overall condition of the city's housing stock will continue to decline. At the same time, several new housing developments in Hopewell have clearly demonstrated that there is a market in the city for larger, higher quality new homes with prices starting at \$200,000. Homes in the Cambridge Estates and Cobblestone subdivisions sold at a steady pace of about 2.5 homes per month each. The homes at Cameron's Landing, now under construction, are to be priced from \$350,000 to \$500,000. Sales there will provide a good indicator of demand for luxury homes in Hopewell.

Overall, multi-family rental units in the city are also well below average in quality and rent level. Riverside Park Apartments were identified as the most attractive and competitive rental complex in Hopewell and that project is more than thirty years old. These apartments also lack the unit and community amenities offered by newer developments in surrounding communities. The housing market in the larger area surrounding Hopewell is expected to grow by about 5,000 households in the next five years, driven by employment growth in the Greater Richmond region and at nearby Fort Lee as a result of base realignment activities. Unfortunately, a large portion of Hopewell's housing stock is not currently competitive in this larger real estate market, and the city will not be able to take advantage of this unprecedented growth opportunity with its existing inventory of housing. Only with concerted action by both public and private sectors can this situation be reversed.

## Positioning Hopewell in the Real Estate Market

Hopewell has several advantages and disadvantages that must be considered with regard to prospects for housing investments.

- The city is almost completely built-out and in-fill development and redevelopment of city neighborhoods will be necessary to enable the creation of any substantial amount of new housing.
- Redevelopment sites in Hopewell have access to existing infrastructure, while fast growing fringe areas of Prince George and Dinwiddie counties are sometimes challenged by the lack of such infrastructure.
- Hopewell's schools are recognized as a good option for public education.
- The city has a significant amount of riverfront that is currently underutilized and has the potential to be a magnet for new investment.

- Hopewell has excellent access to Interstate 295 and Fort Lee, as well as to the greater Richmond region by way of the Interstate highway network.
- The city has few competitive and attractive options for retail shopping and entertainment for its residents and visitors, but there are opportunities for new investment in this sector.
- Hopewell has a reputation as a city with an extensive supply of affordable but not particularly attractive housing.

Overall, we believe that the stagnant Hopewell housing market is caused more by a lack of quality supply of housing options than a lack of demand for housing. Middle-income families living in the city or moving to the area have very few attractive housing options to choose from. Current residents are forced to leave the city to find more attractive options and new residents must look in other areas to find a new home or apartment. The success of the few new residential developments recently built in Hopewell demonstrates that the city can attract middle and upper income residents willing to pay \$200,000 and more for a new home.

### **Housing Demand**

The Tri-Cities area is expected to experience unprecedented growth in the near future. Significant increases in personnel at Fort Lee combined with suburban fringe growth from the Richmond metropolitan area reaching Hopewell and neighboring communities, will create new housing demand in the area. Yet, Hopewell is not currently in a position to take advantage of this growth. By improving its housing stock, Hopewell will be much more competitive in the regional housing market than prior projections would suggest. We believe that Hopewell has the potential to capture as much as 1,500 to 1,600 new quality housing units in the next five years.

About 45 percent of this new demand will result directly from the growth of Fort Lee, which will start to be felt in the housing market in late 2007 and 2008 (with the actual unit transfers occurring in 2009 through 2011). Many of the military-related households moving to the area will start looking for new housing well in advance of their actual move, so it is important that plans and marketing activity for new residential development be well underway in the next year and a half.

Comparing current new home absorption to projected absorption suggests aggressive but attainable housing development opportunities. A projected absorption rate for new rental housing is more modest and should be readily achieved. Most of this new housing should be targeted to middle- and upper-middle-income families, with smaller but similar portions targeted for households on either end of the income scale. Given the limited amount of land available in Hopewell, and even more scarce opportunities to address the market along the river and in downtown, the planned unit mix should give greater weight to multi-family developments than currently exist in the overall market. In order to accommodate expected housing demand in Hopewell, it is estimated that approximately 185 net acres of land will need to be made available, largely through redevelopment.

## Housing Recommendations

In addition to identifying and quantifying the increased demand for housing in Hopewell over the next five years, we offer the following recommendations to help achieve these goals:

- The city should work aggressively to assemble suitable sites for residential development.
- New developments should be carefully planned and marketed.
- Where possible, new developments should capitalize on Hopewell's riverfront location.
- Local business districts should be upgraded with new stores and new neighborhood retail options should be created.
- High-quality, affordable housing should be part of the mix of new residential offerings in order to stabilize neighborhoods and provide a wide choice of options to new residents.

## Retail Shopping and Entertainment

Market projections suggest there is sufficient unsatisfied demand from households living in Hopewell today to support almost 340,000 square feet of additional retail space, or perhaps as many as 40 additional stores and restaurants. This demand is currently being “leaked” to other locations with more attractive shopping facilities. Given the strength of competition from large national retailers already located in nearby cities, and the configuration of the regional highway system and established development patterns, it is unrealistic to think Hopewell could recapture all of this currently “leaked” retail spending. Still, there is an opportunity to recapture a significant proportion of this lost demand if new full service restaurants and a variety of stores offering home furnishings, gifts, books, and convenience shopping can be provided in attractive retail centers or mixed-use environments.

We recommend a focus on small, independent stores and restaurant owners who offer a variety of unique products or everyday convenience goods and services to neighborhood and city residents. Gaps in the surrounding market area suggest that a concentration of attractive small stores and restaurants could even attract patronage from visitors and residents from outside Hopewell. Many of the existing stores in Hopewell are old and poorly maintained and have very little customer appeal. Repairing and upgrading store interiors and exteriors will provide a more attractive shopping atmosphere and appeal to a wider variety of local shoppers.

## Hotel and Hospitality Services

The large increase in activity and daytime population anticipated at Fort Lee over the next five years suggests that demand for hotel and hospitality services will increase. Currently, there are seven nationally branded, limited service hotels located in Hopewell, all near the Interstate 295

interchange. The projected growth of employment and related business travelers in the larger market area suggests the potential to add one or two additional hotels in this area. Because of its distance from the interstate highway interchanges and from Fort Lee, as well as a lack of complementary amenities and attractions, the Evergreen Motel site is not seen as appropriate to accommodate new hospitality uses. Rather, this site should be redeployed for higher value residential, office, or institutional uses.

## INTRODUCTION

Hopewell has a population of about 22,000 people and is located about 18 miles south southeast of downtown Richmond by way of I-95 and East Hundred Road. The city is located immediately east of Interstate 295 in what is known as the Tri-Cities area. In addition to Hopewell, the Tri-Cities area includes Petersburg (33,000) and Colonial Heights (17,286). Together, they surround Fort Lee, a U.S. Army base which is the major economic engine within the area today.

However, while the Richmond MSA experienced population growth of about 15 percent in past decade, the Tri-Cities area's population has been largely stagnant. Petersburg lost 12 percent of its population during the 1990s and has continued to lose population at a similar rate since 2000. Hopewell experienced a three percent loss in the previous decade but has remained largely stable since 2000. Colonial Heights has grown by about three percent since 1990 and has added significant new retail and commercial development serving the three cities along with the base. Hopewell is largely built out with little new residential or commercial development having occurred in several years. Its prospects for growth are dependent on aggressive redevelopment actions by private investors in partnership with the city.

Hopewell has a long military heritage, having been the site of General Grant's Union Army Headquarters known as City Point during the Civil War battles for Petersburg and Richmond. Located at the confluence of the Appomattox and James rivers, the area was one of the most important links in the Union army's supply chain. This historic advantage persists today with Fort Lee being "The Home of Logistics" and the Army's world-wide headquarters for logistical support and training. In addition, the important riverfront location has also supported Hopewell's heavy industrial base located on the eastern edge of the city. Unfortunately, several of these plants are vacant or underutilized today due to obsolescence and changes in the local and national economy.

Over the past four decades, the economy of Hopewell has shifted from a base comprised primarily of heavy manufacturing, mostly in chemicals processing, and military employment associated with Fort Lee to an economy where service industries play a major role. Hopewell is not alone in experiencing the effects of manufacturing decline and a shift toward a service economy, since this is a trend felt nationwide. In 1970, 35 percent of Hopewell and Prince George County workers were employed by the military, 23 percent by other government organizations and 20 percent were in manufacturing, together comprising almost 80 percent of local employment. In 2000, these sectors accounted for about 50 percent of employment. While the percentage of government employment remained stable, military employment dropped to just over 20 percent and manufacturing was cut in half to about 10 percent. During the same period, service sector jobs increased three fold from seven to 21 percent. Despite these shifts in the economy, Hopewell maintains unemployment levels at the national average, which are slightly higher than regional and state unemployment rates.

## Fort Lee BRAC Impact

While Hopewell has been showing stagnant economic and residential growth, the Base Realignment and Closure (BRAC) plan announced in May 2005 by the Department of Defense promises to have significant positive impacts on Hopewell and neighboring communities. The base as it is today has a significant impact on the local and regional economy. The Fort Lee Public Affairs office estimates that it generates a total economic impact of more than \$860 million, which in turn results generates more than \$57 million dollars in local taxes annually. This economic activity supports 17,000 full-time employees in the area. Additions to the base resulting from the realignment will translate into a significant increase in its economic contribution to the region. A local economist estimates that for every 10 additional soldiers posted at the base there will be three to five new jobs created elsewhere in the region.

Military personnel, students and civilian jobs from several facilities across the country will now be consolidated at Fort Lee. The realignment of military units to Fort Lee is summarized in the following table.

### Impact of BRAC on Fort Lee

#### Current Units

Army Logistics Management College  
49th Quartermaster Group  
Combined Arms Support Command  
Quartermaster Center and School  
Defense Commissary Agency

#### New Units

Ordnance Mechanical Maintenance School  
Ordnance Munitions and Electronics Maintenance School  
Transportation Center and School  
Air Force Transportation Training  
Defense Contract Management Agency  
Air Force Culinary Training

*Source: Fort Lee Public Affairs Office, 2006*

Including military family members, the realignment will yield an overall base population increase of 83 percent. This increase is anticipated to break down as summarized in the following table:

### Impact of BRAC on Fort Lee

<i>Personnel</i>	<i>2009</i>		<i>%</i>
	<i>Current</i>	<i>Post Realignment</i>	<i>Increase</i>
Contractor Support	1,201	1,492	24.2%
Civilian Permanent	3,395	5,227	54.0%
Average Daily Student Load	3,431	9,739	183.9%
Military Permanent	3,292	5,008	52.1%
Military Family Members	4,954	8,336	68.3%
<b>Total</b>	<b>16,273</b>	<b>29,802</b>	<b>83.1%</b>

*Source: Fort Lee Public Affairs Office, 2006*



Almost one-third of the projected increase is from growth in the “daily student load” – military personnel who come for short periods of specialized training. While the large majority of these students will live in barracks on the base and not benefit the local housing market, they will still have a significant impact on the local economy through their retail spending in surrounding communities. The following table summarizes the projections for permanent additions to Fort Lee.

### **Impact of BRAC on Fort Lee**

#### **New Permanent Residents and Households**

<i>Personnel</i>	<i>2009 Post Realignment</i>
Officers	209
Warrant Officers	63
Enlisted	1,102
Civilians	1,411
Contractors	291
ALMC PCS Students*	807
<b>Estimated New Households</b>	<b>3,883</b>
<i>Family</i>	
Military Spouses	1,132
Military Children	2,250
Civilian & Contractor Spouses	1,231
Civilian & Contractor Children	1,869
<b>Estimated New Family Members</b>	<b>6,482</b>
<b>ESTIMATED NEW RESIDENTS</b>	<b>10,365</b>

*\* PCS students have a 12 month tenure and an option to live off base*

*Source: Fort Lee Public Affairs Office, 2006*

Despite the significant projected growth at Fort Lee due to BRAC, plans call for only 70 new residences (non-barracks) to be added on the base. This means that over 3,800 new households will be seeking new housing in communities surrounding Fort Lee. Given the limitations of Hopewell’s present housing inventory, any effort to take advantage of this increased residential demand will require a concerted effort to redevelop older and obsolete areas to allow for new construction of attractive housing options geared to the needs and life styles of these new residents.

The Hopewell housing market has been stagnant for many years. While the Richmond region has experienced strong growth, most significant residential growth is occurring outside of the Tri-Cities area in the surrounding suburban counties of Chesterfield, Dinwiddie and Prince George. Still, Hopewell has added 1,020 new housing units since 1990, thereby increasing its housing stock by 10 percent. This compares to a 28 percent increase in the housing stock of the Richmond MSA since 1990. The median age of homes in Hopewell is 12 years older than the median for homes throughout the MSA, and Hopewell’s housing values are about \$50,000 below those in the region. Overall, the housing stock in Hopewell is older and less attractive to new residents, especially younger buyers and renters who will make up a significant portion of the new personnel at Fort Lee. At the same time, this expansion presents a unique opportunity to reach further to significantly upgrade the city’s older housing stock and commercial infrastructure and to capture a larger portion of the Richmond region’s overall growth.

In the following section we will review the area housing market in more detail and estimate the demand for new housing in Hopewell. We will also examine opportunities for Hopewell in the retail and hospitality market.

#### *CHARACTERISTICS OF NEW AND PROPOSED OWNER OCCUPIED HOUSING*

Hopewell is seeing an increasing number of new home and condominium developments on the western edge of the city. These developments have taken advantage of previously undeveloped land close to the Interstate 295 corridor, with two developments taking advantage of locations along the Appomattox River as well. We have summarized this development activity in the following paragraphs.

**Anchor Point** is a phased development on 89 acres located in the northwest corner of Hopewell on the Appomattox River. The first phase of the development is the Beacon, a 63 unit high rise condominium with one- to three-bedroom condominiums priced from about \$145,000 to \$350,000, or \$165 to \$190 per square foot. The building was completed in the mid-1990s and of the 63 units, 15 are still available for purchase. Some local real estate professionals feel the project has hindered Hopewell with an undeserved reputation for being unable to support large scale development. Several characteristics contributed to its poor performance: the exterior is unattractive, the bedrooms are small, there are no walk-in closets, and bathroom and kitchen finishes are average, and the bedrooms are small. These factors make the units unattractive to most buyers looking for a luxury condo.



Complex amenities include outdoor picnic area with gazebo, security system, underground parking, community room, storage units, exercise room, a five-acre manmade lake and a large outdoor pavilion that hosts some community events during the summer. The property also includes the Marina at Anchor Point, which is within walking distance, and residents receive discounted rates on slip rentals. This privately owned marina is more attractive and offers more options than the city owned marina.

Additional phases were planned for Anchor Point, but no additional construction has started. These phases were to include four condominium towers similar to the Beacon, and a mix of attached townhouse units, apartments and single family homes, for a total of about 400 residential units. Due to the disappointing sales at the Beacon, it is unlikely that the development will continue under the current plan.

*Observations:* The Beacon represents the high end of the price range for high-rise condominium units in the Hopewell market. However, the marketability of these units is hindered by the

exterior design and poorly designed units. The high density of units may have also been a contributing factor. The location is not ideal despite being situated prominently on the riverfront. The site is isolated and the building is at the end of a long access road and surrounded by vacant land that has been cleared and graded for future development, but with no construction underway. We believe all of these factors have contributed to the poor performance of the property. A well-planned and attractive building offering riverfront views with better access to the surrounding Hopewell community would likely be filled in a reasonable period of time and could achieve somewhat higher unit prices.

**Cobblestone** is an age qualified residential development for couples aged 55 and over. The development offers duplex villa homes and single family detached homes, all with two or three-bedrooms and two or two and a half baths. The homes are priced from about \$200,000 to \$370,000 for the largest custom home with all available options. The homes are attractive and appear to be well built. In planning the project the developer conducted focus group interviews beforehand with seniors in the community to determine price points and features that were desired in the market.



The development started in March of 1999 and the first 100 homes were recently completed and occupied. According to the sales agent, homes were sold as fast as they could be built, with a one-year waiting period typical from lot purchase to move in. Phase 2, which offers an additional 55 home sites, recently opened and the first sale will close the end of August. An additional eleven contracts have been signed. The sales agent stated that there was significant pent-up demand for this type of housing product in Hopewell before the project started. About 80 percent of the demand comes from Hopewell and the surrounding area, with most buyers downsizing from larger homes and purchasing with cash. Twenty percent of the demand comes from out-of-state, mostly from couples looking to move closer to younger family members stationed at Fort Lee. Overall, 50 percent of the homebuyers have some connection to Fort Lee, such as older or retired officers or individuals with family in the military.

*Observations:* There is existing demand for high quality housing in Hopewell at price points above \$200,000. In contrast to Anchor Point, the developer's use of market research and community input resulted in a product that was well received by the market. A large number of homeowners were attracted to Cobblestone due to its location near Fort Lee. This demonstrates the importance of the base in attracting and retaining homeowners in Hopewell, and the base's influence will grow in the coming years.

**Cambridge Estates** is a new single family home community located in the southwestern corner of Hopewell near the Oaklawn exit off I-295. The site has excellent access to the Interstate and Fort Lee. The location is also convenient to commercial development along Oaklawn Boulevard and Woodlawn Street near the Interstate. The development consists of 72 homes on 1/3 acre lots. All of the homes include three or four bedrooms. Home prices range from \$209,000 to \$252,000. The homes are vinyl sided ranch style with two-stores. Sales began in



January 2005 and currently 46 of the home sites have been sold (63 percent). Initial sales were over three homes per month, but with the housing market slowing nationwide, sales have decreased to about just over two per month. Overall average for the development is 2.6 homes per month. Phase one included 25 lots, all of which have been sold with homes completed and occupied. Twenty one homes in phase two have been sold and are in various stages of construction with several completed and occupied. The realtor said that 90 percent of the homes in phase one and 50 percent of homes in phase two were purchased by military families.

*Observations:* These homes are attractive but modest, and clearly target the middle of the market. The development's convenient location is very appealing to those working on the base. Homes in this price range would likely be attractive to the largest segment of the market looking for new homes in Hopewell, particularly military families from Fort Lee.

**Cameron's Landing** is a new single-family home development that includes 151 home sites located on the Appomattox River near the I-295 Bridge. These homes are being developed by the Emerson Companies, which has developed several large single family home communities in Richmond area, including River's Bend just north of Hopewell in Chesterfield County. The development has just initiated pre-sales, with homes priced from about \$300,000 to \$500,000. Several home sites have riverfront views and a nature trail will provide access to the riverfront.



*Observations:* Emerson Companies has developed several high-end residential communities in the Richmond Area and surrounding states. Their entry into the Hopewell market with homes priced for upper-income households shows there is confidence in the city's potential to absorb luxury home sales. This development will test the high end of the housing market in Hopewell, with the most expensive new homes available.

**River's Bend** is a large master-planned residential community of single family homes located in Chesterfield County, north of Hopewell. We have included this development as an example of the top end of single family home developments in the area. River's Bend was developed over the past 15 to 20 years with over 800 homes. It is completely built out with the exception of a few scattered home sites, which have been sold to owners building custom homes. The development is divided into several separate "communities" with homes at a wide range of prices from \$180,000 to over \$1,000,000. Some of the sites offer views and riverfront access to the James River. Homes range from two-bedroom maintenance-free villa condominiums targeting older residents to large custom built homes with up to five bedrooms targeting larger affluent families with children. The development also includes multi-family apartment complexes such as River's Bend Apartment Homes which will be discussed in a following section.

The development offers a wide array of amenities including an 18-hole riverfront golf course and clubhouse, a swim and racquet club, a sand volleyball court, riverfront pier, boat access to the James River, parks, nature trails, and organized activities for families and children.

*Observations:* River's Bend is recognized as the most attractive residential development in the Tri-Cities (Hopewell, Petersburg, Colonial Heights) area. It represents the high end of what can be expected in a for-sale development in Hopewell. Most homes are over \$300,000 with an impressive package of amenities. Marketing for the project builds heavily on its connection to the river, an amenity that is otherwise sorely underutilized in Hopewell. Since Hopewell is largely built out, it would be difficult for new home developments and infill development to include such amenities. Improvements to publicly available recreation amenities in Hopewell would help new homes throughout Hopewell achieve maximum value.

#### ***COMPETITIVE MULTI-FAMILY RENTAL PROPERTIES IN HOPEWELL AND THE SURROUNDING AREA***

Hopewell has seen very little development of multi-family housing in the past few decades. Due to the aging stock of apartments, the city has fallen behind surrounding areas in its ability to provide attractive market rate apartments for area residents. Instead, the area has become known for the availability of low-income housing. This is of particular concern since Hopewell should be in a position to offer excellent access to Fort Lee and attract a large number of renter households. However, due to its reputation and lack of competitive products Hopewell has so far missed the significant opportunity to capitalize on this demand, and apartments in surrounding communities have benefited.

In the next two to five years, the base's realignment is expected to bring over 2,500 net new households to the area. It is critical that Hopewell improve the quality and quantity of its apartment options to take full advantage of this extraordinary opportunity for growth.

To determine the types of development that would be attractive to renters in the market, we have profiled the most competitive market rate apartment communities in Hopewell and surrounding areas in the following paragraphs.

**Riverside Park Apartments** is the most attractive apartment community in Hopewell proper. This development was completed in the late-1960s and includes 120 one- to three-bedroom units ranging in price from \$495 to \$770 per month. The units range in size from 500 to 1,100 square feet. Kitchens come equipped with a range, refrigerator and disposal. The apartments are fully carpeted and have central air conditioning (one-bedroom units have in-wall air conditioning), and some units offer vaulted ceilings and patios or balconies. The complex also has a common laundry facility.

The complex has a good location overlooking the Weston Manor and is within a short walk of the river; however the property is adjacent to The Bluffs, a poorly managed Section 8 complex that is viewed by the city and surrounding property owners as a very negative influence on the area.

Despite this nearby problem property and the limited set of unit and complex amenities, the Riverside Park units maintain occupancy in the upper 90 percent range and command reasonable market rents of \$0.70 to \$1.00 per square foot.

*Observations:* The Riverside Park Apartments is evidence that a well-managed apartment property in Hopewell can generate reasonable rents and maintain high occupancy despite several limitations. Unfortunately, this complex is modest and represents the most attractive multi-family property in Hopewell when newer, more attractive properties in surrounding communities are attracting residents away from Hopewell due to its lack of more competitive housing options.





**Jefferson Pointe Apartments** is located immediately south of Hopewell near Interstate 295 in Prince George County. This development was completed in 1999 and includes 220 units with one or two bedrooms ranging in price from \$685 to \$905 per month. The units range in size from 872 to 1,282 square feet. Kitchens come equipped with a range, refrigerator, dishwasher and disposal. The apartments are fully carpeted and have central air conditioning. Units also include a washer and dryer, large bathrooms, walk-in closets and a patio or balcony. The complex includes a number of amenities such as a pool and clubhouse, business center, fitness center, tennis courts and optional covered parking. It also has excellent access to the interstate and Fort Lee and is conveniently located within walking distance of the Food Lion supermarket and The Crossings Shopping Center. The units are fully occupied with no openings until November.



*Observations:* Jefferson Pointe is an excellent example of the potential for high-quality, market rate multi-family residential development in Hopewell. It is just outside Hopewell's borders, but commands rents that are \$150 to \$200 more per unit than Hopewell's Riverside Park Apartments. This is due to Jefferson Pointe's larger unit sizes, and a wider array of unit and project amenities offered.

**Bailey's Ridge Apartments** is located adjacent to the Jefferson Pointe Apartments and very similar in appearance. This complex was developed using low income housing tax credits and rents affordable units to residents earning less the 60 percent of the area median income. It was completed in 1999 and includes 156 two-bedroom two-bath units ranging in size from 978 to 1,078 square feet with rents ranging from \$675 to \$770 per month. The buildings are similar in design to Jefferson Pointe, but they appear to be in poorer condition. The complex includes a fitness center, pool and clubhouse, but they are less attractive and have a lower level of finish than those at Jefferson Pointe. Kitchens come equipped with a range, refrigerator, dishwasher and disposal. The apartments are fully carpeted and have central air conditioning. The units also include a washer and dryer connection, large bathrooms, walk-in closets and a patio or balcony. Like Jefferson Pointe, Bailey's Ridge has excellent access to the interstate and Fort Lee and is within walking distance of a nearby supermarket and shopping center. The units are fully occupied with a waiting list.



*Observations:* Despite being financed as affordable housing, Baileys Ridge Apartments is commanding higher rents than most of the market rate apartments in Hopewell. This property is also more attractive and offers a wider variety of unit and complex amenities than all of the multi-family housing options in Hopewell. Despite Hopewell's focus on upgrading the market rate housing for middle and upper income households, quality affordable housing for low and moderate income families can be an important component in upgrading and modernizing the housing stock in neighborhoods otherwise dominated by older substandard housing. Stabilizing these neighborhoods with a limited number of well built and well managed affordable units can help attract ever higher quality market rate housing options. When considering adding affordable housing, it is very important to consider the location, design and management of the development to ensure that it will benefit the surrounding area. It is also important to note that many of Fort Lee's enlisted personnel will have incomes that qualify for these affordable housing units.

**Chesterfield Gardens** is located just north of Hopewell along Highway 10 in Chesterfield County. This development was completed in 1999 and includes 105 units with two and three bedroom units ranging in price from \$830 to \$1,080 per month, and range in size from 956 to 1,239 square feet. Kitchens come equipped with a range, refrigerator, microwave dishwasher and disposal. The apartments are fully carpeted and have central air conditioning. All units also include a washer and dryer and a patio or balcony. The complex includes a pool



and clubhouse with fitness center, tennis courts and a playground. It has good access to Interstate 295, but less convenient access to Fort Lee than apartments in Hopewell or Prince George County on the other hand its location in Chesterfield County is very desirable due to that county's highly ranked schools. These are recognized among the best in Virginia. The units are 98 percent occupied and the complex consistently maintains occupancy in the upper 90 percent range.

*Observations:* Chesterfield Gardens is typical of many newer apartment complexes in Chesterfield County. Its units are renting for about \$200 to \$250 more per month than similar two and three bedroom units at the nicest existing buildings in Hopewell. While part of the difference in pricing is supported by the higher quality of schools in Chesterfield County, the development also offers slightly larger units and a much higher level of amenities.

**River's Bend Apartments** is located just north of Hopewell near the intersection of Highway 10 and Interstate 295 in Chesterfield County. The complex is part of the larger River's Bend residential community, which includes river access, nature trails and an 18-hole golf course. The apartments were completed in 2000 and include 250 units with one-, two-, and three-bedroom units ranging in price from \$760 to \$1,145 per month and range in size from 700 to 1,372 square feet. Each



unit features nine foot ceilings with crown molding, and tiled entry areas. Kitchens come equipped with a range, refrigerator, microwave dishwasher and disposal. The apartments are fully carpeted and have central air conditioning. All units also include ceiling fans in each bedroom, large bathrooms, walk-in closets, a washer and dryer and a patio or balcony. Private garages are also available. The complex includes a variety of amenities such as a clubhouse with a business center and full-kitchen, a large pool and sundeck, fitness center, and a playground. Residents also



have access to discounted memberships at the River's Bend Golf and Racquet Club. The complex has excellent access to Interstate 295 and 95 and is convenient to shopping in Colonial Heights; however, it has less convenient access to Fort Lee than apartments in Hopewell or Prince George County. Resident's at River's Bend benefit from the county's highly ranked schools. The units are 98 percent occupied and the complex consistently maintains occupancy near 100 percent. A short waiting list is maintained for the three-bedroom units.

*Observations:* River's Bend Apartments represents the high-end of rental units in the area around Hopewell. These apartments benefit from good location and schools in Chesterfield County, large units, and the most attractive finishes and amenities in the market. The buildings and grounds are very attractive and well maintained. As a result, the property is able to charge rents about \$250 to \$350 higher than those found currently in Hopewell.

Rents and unit sizes of competitive apartment located in and near Hopewell are summarized in the following table.

**Hopewell Multi-Family Housing**  
**Summary of Competitive Apartments**

<i>Subsidized Properties</i>	<i>Location</i>	<i>Occupancy Rate</i>	<i>One-Bedroom</i>			<i>Two-Bedroom</i>			<i>Three-Bedroom</i>		
			<i>Net Rent</i>	<i>Size (SF)</i>	<i>Rent PSF</i>	<i>Net Rent</i>	<i>Size (SF)</i>	<i>Rent PSF</i>	<i>Net Rent</i>	<i>Size (SF)</i>	<i>Rent PSF</i>
Riverside Park	Hopewell	97%	\$575	620	\$0.93	\$655	750	\$0.87	\$770	1,100	\$0.70
Jefferson Pointe	Price George	100%	\$685	872	\$0.79	\$805	1,112	\$0.72	-	-	-
Bailey's Ridge (LIHTC)	Price George	100%	-	-	-	\$675	978	\$0.69	-	-	-
Chesterfield Gardens	Chesterfield	98%	-	-	-	\$830	956	\$0.87	\$1,040	1,120	\$0.93
River's Bend	Chesterfield	98%	\$745	696	\$1.07	\$865	936	\$0.92	\$1,135	1,317	\$0.86
<b>Average Market Occupancy/Rents</b>		<b>99%</b>	<b>\$668</b>	<b>729</b>	<b>\$0.93</b>	<b>\$766</b>	<b>946</b>	<b>\$0.82</b>	<b>\$982</b>	<b>1,179</b>	<b>\$0.83</b>

#### *SUMMARY OF THE HOPEWELL HOUSING MARKET*

Although there are pockets of attractive historic homes, the majority of the housing stock in Hopewell is comprised of smaller older homes, many of which are falling into disrepair. The median home in Hopewell is about 40 years old with a value of less than \$120,000. A significant number of single family homes have been converted to rental properties over the past several

years, suggesting that the condition of the city's housing will continue to decline. Overall, the multi-family rental units in the city are also well below average in quality and rent level. Riverside Park Apartments was identified as the most attractive and competitive rental development in Hopewell, and it is over thirty years old. These apartments also lack the unit and community amenities offered by newer developments in the surrounding area. The market area surrounding Hopewell is expected to grow by about 5,000 households in the next five years due to growth in the region and at nearby Fort Lee as a result of base realignment. Because a large portion of Hopewell's housing stock is not competitive in the current real estate market, the city is not in the position to take advantage of this unprecedented growth opportunity.

### **For Sale Homes**

New housing developments in Hopewell have clearly demonstrated that there is a market for high quality new homes in the city priced starting at \$200,000. Homes at Cambridge Estates and Cobblestone sold at a steady pace, each at a rate of about 2.5 homes per month. With continued growth in the region and at Fort Lee, housing demand will continue to increase at a rapid rate in the next five years. A new development in the market, Cameron's Landing, is further evidence of confidence in the Hopewell market. The developer, Emerson Companies, also developed River's Bend located in Chesterfield County which is recognized as one of the most desirable residential communities in the larger Tri-cities area. The homes at Cameron's Landing will be priced from \$350,000 to \$500,000 and its sales will serve as a good indicator for the demand of luxury homes in Hopewell. Pre-sales have just begun so no initial sales data was available.

The failure of the Anchor Point development contributed significantly to a negative image for Hopewell in the past several years. Its development plan originally called for a total of about 400 units with the first project being a condo tower overlooking the Appomattox River. However, after ten years on the market, only 75 percent of the units have been sold and no other construction has been initiated on the site. Local real estate agents point to the unattractive exterior design and poor floor plans and site plan as reasons for the development's poor performance. One realtor indicated that it was unfortunate that Anchor Point occupies such prime land overlooking the river, and she is confident that a well planned and executed development anywhere along the river would sell quickly and could command high prices.

### **Apartments For Rent**

Although there is a very small supply of competitive apartments in Hopewell, Riverside Park Apartments shows that new multi-family housing in the city would likely compete very well with existing rental communities in the surrounding area. Despite its age, smaller unit sizes, and lack of amenities, the units are renting at rates that are comparable to newer apartments on a per square foot basis. Riverside Park is also able to maintain a high occupancy rate despite its location adjacent to a Section 8 apartment complex which is a negative influence. One reason for the low rates and below-average quality of Hopewell's multi-family housing is competition from the large number of single family homes for rent in the city. New apartments with attractive units and a variety of amenities would stand apart from the majority of rentals in the city and be more insulated from the downward pressure on rents caused by this large supply of rental single family

homes. Looking at developments in surrounding communities, new apartments in Hopewell could easily achieve rents \$100 to \$200 higher than the current rents at Riverside Park. Some units could rent for over \$1,000.

### Positioning Hopewell in the Real Estate Market

Hopewell has several advantages and disadvantages that must be considered with regard to prospects for housing investments.

- *Hopewell is almost completely built-out* with only limited land readily available for development especially near Interstate 295. In-fill development and redevelopment of city neighborhoods is necessary to enable any substantial amount of new housing in Hopewell.
- *Hopewell has available infrastructure.* One competitive advantage that new developments will have access to existing roads and utilities such as water, gas and sewer. Some developers in the fast growing fringe areas of Prince George and Dinwiddie counties are challenged by the lack of infrastructure. Extending these utilities can add significantly to home prices. For example, some new home developments are unable to access public sewage collection systems and are forced to use septic systems.
- *Hopewell's schools are recognized as a good option for public education* in the area. While schools in Chesterfield County are recognized as some of the best in Virginia, Petersburg's schools are deemed inferior. So, Hopewell is a strong option for families with children.
- *Hopewell has a significant amount of riverfront that is currently underutilized.* In many places, vegetation is overgrown blocking river views. In other areas, the existing developments, such as The Bluffs Section 8 apartments, do not make effective use of the riverfront. There are many opportunities to create attractive public spaces and develop riverfront property for new housing. Clustered or multifamily housing (rental or condominium) along the river and homes with views of the water would be the most desirable.
- *Hopewell has excellent access to Interstate 295 and Fort Lee.*
- *Hopewell offers few retail options.* Large retailers are concentrated in nearby Colonial Heights and Hopewell lacks the site to aspire to attract additional national retailers to locate within the city. However, there is opportunity for small retailers in Hopewell to provide both unique and specialized products and service and "everyday" or convenience shopping. The present choices are very limited and often poorly maintained or unattractive. As a result Hopewell residents will drive outside the city for a better shopping experience.
- *Hopewell has a reputation as a city with affordable housing.* Although many people spoke of this as a negative, this reputation can be a positive for the city. Currently the city has an abundance of affordable housing but very little "move-up" housing. A wide variety of

quality housing at a variety of price ranges should be the objective, allowing the city to better attract and retain residents.

By improving the housing stock in Hopewell the city can be positioned as an affordable option to the more expensive communities in Chesterfield and Prince George counties. Hopewell also offers both a more diverse and a small city feel when compared to these outlying areas, while having excellent access to Fort Lee and major highways. The city is smaller and provides better educational opportunities than neighboring Petersburg. Increasing the number of housing options for higher income households while maintaining quality entry level housing should be the primary strategy to make Hopewell a more desirable place to live. Improving and capitalizing on riverfront access and upgrading retail shopping options are other key strategies.

Overall, we believe that the stagnant Hopewell housing market is caused more by a lack of quality supply of housing options than a lack of demand for housing. Middle-income families living in the city or moving to the area have very few housing options to choose from. Current residents are forced to leave the city to find more attractive options and new residents must look in other areas to find a new home or apartment. The success of these new residential developments in Hopewell prove the city can attract middle and upper income residents willing to pay \$200,000 and more for a new home.

#### ***DETERMINATION OF FUTURE HOUSING DEMAND***

In order to project the direction and scale of housing demand over the next five years, we looked at two key factors. The first factor is the natural growth (or decline) in the existing population in and around the city. The second factor is the large amount of growth that will be generated by the base realignment at neighboring Fort Lee. As a result of base and facilities closures in other areas of the country and consolidation at Fort Lee, this realignment is expected to increase the population supported by the base by some 83 percent. We have examined each of these populations separately and estimated the likelihood that new residents will move to Hopewell to determine the number of new households that will need to be supported by new housing.

#### **Existing Market Growth**

To examine the natural growth of the area's population, we utilized data included in the 2000 U.S. Census, estimates of the current (2006) population provided by Claritas, Inc., and five-year growth projections also provided by Claritas. From 1990 to 2000, Hopewell's population declined by over three percent. From 2000 to 2006, Hopewell continued to show a very slight decline in population losing about 50 people, or less than one percent of its population. However, over the next five years that trend is expected to reverse with a very small increase in population of about 40 people. Combined with a reduction in average household size, the slight increase in population results in an increase of 96 households over the next five years.

Assuming that the quantity and quality of housing stock in Hopewell remains unchanged over the next five years, it is unlikely that the city would be able to capture the net new growth occurring in the surrounding area. However, by joining the planning and development efforts of the city with

those of local developers to offer the right housing option, we believe that Hopewell can capture a meaningful portion of this growth.

We identified a market area extending to a ten mile radius from the intersection of Interstate 295 and Oaklawn Boulevard in the southeast corner of Hopewell. This market area encompasses the Tri-City area and surrounding areas in Chesterfield, Prince George and Dinwiddie counties. It is anticipated that few residents from outside this area would consider a residence in Hopewell. They would be much more likely to choose a residence in close proximity to Richmond or in the rural areas of central Virginia.

The population in this area grew by 6.7 percent in the 1990s and has continued to grow steadily since, adding another 4.8 percent from 2000 to 2006. This rate of growth is expected to continue through 2011, yielding an additional four percent growth. Subtracting Hopewell's totals from this area results in an overall increase of 2,742 households over the next five years in the surrounding market area. Projected household growth in Hopewell and the surrounding area is segmented into income tiers as summarized in the following table.

#### Household Growth - Existing Demand

##### Household Income Tiers

	Hopewell			Surrounding Area (10 Mile Radius)		
	2006	2011	Growth	2006	2011	Growth
<b>Household Totals</b>	<b>9,214</b>	<b>9,310</b>	<b>96</b>	<b>50,011</b>	<b>52,753</b>	<b>2,742</b>
Income Less than \$10,000	1,054	1,004	-50	3,680	3,440	-240
Income \$10,000 - \$14,999	614	575	-39	2,251	2,048	-203
Income \$15,000 - \$19,999	640	605	-35	2,454	2,272	-182
Income \$20,000 - \$24,999	650	617	-33	2,647	2,457	-190
<b>less than \$25,000</b>	<b>2,958</b>	<b>2,801</b>	<b>-157</b>	<b>11,032</b>	<b>10,217</b>	<b>-815</b>
Income \$25,000 - \$29,999	745	682	-63	2,888	2,649	-239
Income \$30,000 - \$34,999	744	708	-36	2,943	2,790	-153
Income \$35,000 - \$39,999	604	632	28	2,969	2,840	-129
Income \$40,000 - \$44,999	516	531	15	2,584	2,773	189
Income \$45,000 - \$49,999	494	481	-13	2,600	2,502	-98
<b>\$25,000 to \$49,999</b>	<b>3,103</b>	<b>3,034</b>	<b>-69</b>	<b>13,984</b>	<b>13,554</b>	<b>-430</b>
Income \$50,000 - \$59,999	1,008	955	-53	4,370	4,596	226
Income \$60,000 - \$74,999	930	1,021	91	5,976	6,054	78
Income \$75,000 - \$99,999	620	752	132	6,875	7,589	714
<b>\$50,000 to \$99,999</b>	<b>2,558</b>	<b>2,728</b>	<b>170</b>	<b>17,221</b>	<b>18,239</b>	<b>1,018</b>
Income \$100,000 - \$124,999	319	374	55	3,947	4,916	969
Income \$125,000 - \$149,999	155	195	40	1,845	2,737	892
Income \$150,000 - \$199,999	63	103	40	1,015	1,697	682
<b>\$100,000 to \$199,999</b>	<b>537</b>	<b>672</b>	<b>135</b>	<b>6,807</b>	<b>9,350</b>	<b>2,543</b>
Income \$200,000 - \$249,999	27	35	8	473	649	176
Income \$250,000 - \$499,999	28	34	6	365	539	174
Income \$500,000 or more	3	6	3	129	205	76
<b>\$200,000 and over</b>	<b>58</b>	<b>75</b>	<b>17</b>	<b>967</b>	<b>1,393</b>	<b>426</b>
Median Household Income	\$36,326	\$38,669	6.45%	\$49,719	\$55,020	10.66%

Growth in areas inside and outside of Hopewell is projected within middle and upper income tiers. All income levels below \$35,000 are projected to decline, and all income levels above \$60,000 are projected to grow in households. This suggests that the demand for new housing options in Hopewell is greater than the overall increase of 96 households would suggest. Much of the existing housing would not be marketable to higher income households, since lower income households leaving the area will be vacating old, smaller homes that will be unattractive to most middle and upper income households moving to the area. More than 300 households earning \$50,000 or more can be added to Hopewell alone, provided the right housing options are available.

## Growth at Fort Lee

The next step is adding the demand for new housing generated by the staff increases at Fort Lee. According to the Public Affairs office, the base supported population will grow by 13,529 people. This figure includes a large number of troops that will live on base and their family members. The following table breaks down these base additions to determine the total number of new households the base will bring to the area.

### Household Growth - Fort Lee BRAC

<i>Household Type</i>	<i>Growth</i>	<i>New to Area</i>	<i>New Households</i>
Officers	209	100%	209
Warrant Officers	63	100%	63
Enlisted	1,102	100%	1,102
Civilians	1,411	50%	706
Contractors	291	50%	146
ALMC PCS Students (1 year tenure)*	807	50%	404
<b>Total</b>	<b>3,883</b>		<b>2,225</b>

*\* All students will be new to the area but have an option to live off base*

Military family members were not included in the table because they are included as members of the households that will be added. Most military students were not included because they live in Army barracks. One exception is the 807 Army Logistics Management College (ALMC) students who are transferred to the base for a full year and have the option to live off base.

To determine the total number of new households created by the growth of Fort Lee we have estimated a percentage of each category that will be new to the area. Military staff is required to move, so 100 percent of the military staff is assumed to be new to the area. Civilian staff and contractors are not obligated to move from other areas of the country to work at Fort Lee, so we have estimated that only 50 percent of these workers will be new to the area, with the other positions being hired from the existing population. We have also estimated that 50 percent of the ALMC students will choose to live in housing off the base. Applying these percentages results in a total of 2,225 new household created through the Fort Lee base realignment.

## Total Household Growth

The next step is to combine the growth created from the existing market and the additions to Fort Lee. Then looking at each category of new resident we have estimated the percentage of households that can be captured in the Hopewell housing market. A summary of these estimates is provided in the following table.

### Total Household Growth - Summary

<i>Household Type</i>	<i>Growth</i>	<i>New to Area</i>	<i>New Area Households</i>	<i>Hopewell Capture</i>	<i>New Households</i>
Existing Hopewell Growth	96	100%	96	100%	96
Existing 10 Mile Radius Growth	2,742	100%	2,742	15%	411
Officers	209	100%	209	15%	31
Warrant Officers	63	100%	63	15%	9
Enlisted	1,102	100%	1,102	35%	386
Civilians	1,411	50%	706	15%	106
Contractors	291	50%	146	15%	22
ALMC PCS Students (1 year tenure)*	807	50%	404	35%	141
<b>Total</b>	<b>6,721</b>	<b>81%</b>	<b>5,467</b>	<b>22%</b>	<b>1,203</b>

*\* All students will be new to the area but have an option to live off base*

According to Claritas, Hopewell will gain 96 households over the next five years, since this is an estimate for the city itself all of the new households will remain in the city for a 100 percent capture rate. The number of households in Hopewell accounts for 15.6 percent of the total households in the market area. If Hopewell is able to add new housing and upgrade the overall housing stock, the city would be competitive with the surrounding area and should be able to capture 15 percent of the other new households moving to the area. Therefore, we have applied a capture rate of 15 percent to most of the new household types.

We have applied a higher rate of 35 percent to enlisted personnel and ALMC Students. We believe that these households are more likely to be younger, single and renters. As a result their housing decision will be driven by the desire to find an apartment that fits their budget in a convenient location close to the base. Due to its location adjacent to the base we believe that Hopewell can capture 35 percent of this demand with upgraded rental options.

*Applying these capture rates to each new household type results in a net gain of 1,203 new households in Hopewell over the next five years.*

Now we must determine the types of new housing needed to accommodate these new households. The household income tiers in the market area have been consolidated into five income tiers, and monthly housing budgets for each income tier have been determined. In doing so we used 30 percent of the household's annual income and divided by twelve months, yielding a monthly housing budget for a household earning \$50,000 of \$1,250 (\$50,000 × 30%/12 months). The following table shows the household growth for Hopewell broken down by household type and housing tier.

## Total Household Growth - Summary

<i>Household Type</i>	<i>Housing Tier</i>	<i>Growth</i>	<i>New to Area</i>	<i>New Area Households</i>	<i>Hopewell Capture</i>	<i>New Households</i>
Hopewell Growth <\$25K	\$625 and under	-157	100%	-157	100%	0*
Hopewell Growth \$25K - \$50K	\$625 to \$1,250	-69	100%	-69	100%	-69
Hopewell Growth \$50K - \$100K	\$1,250 to \$2,500	170	100%	170	100%	170
Hopewell Growth \$100K - \$200K	\$2,500 to \$5,000	135	100%	135	100%	135
Hopewell Growth >\$200K	\$5,000 and up	17	100%	17	100%	17
10 Mile Radius Growth <\$25K	\$625 and under	-815	100%	-815	0%	0
10 Mile Radius \$25K - \$50K	\$625 to \$1,250	-430	100%	-430	0%	0
10 Mile Radius \$50K - \$100K	\$1,250 to \$2,500	1,018	100%	1,018	15%	153
10 Mile Radius \$100K - \$200K	\$2,500 to \$5,000	2,543	100%	2,543	15%	381
10 Mile Radius >\$200K	\$5,000 and up	426	100%	426	15%	64
Officers	\$1,250 to \$2,500	209	100%	209	15%	31
Warant Officers	\$625 to \$1,250	63	100%	63	15%	9
Enlisted	\$625 to \$1,250	1,102	100%	1,102	35%	386
Civilians	\$625 to \$1,250	1,411	50%	706	15%	106
Contractors	\$1,250 to \$2,500	291	50%	146	15%	22
ALMC PCS Students (1 year tenure)**	\$625 to \$1,250	807	50%	404	35%	141
<b>Total</b>		<b>6,721</b>	<b>81%</b>	<b>5,467</b>	<b>25%</b>	<b>1,546</b>

\* Loss of low income households will result in vacant existing units and not affect the need for new units

\*\* All students will be new to the area but have an option to live off base

The housing tier for new households added from the Fort Lee base realignment were estimated using the housing allowance guidelines provided by the Public Affairs office. No income breakdown was provided for civilian and contract employees, so we estimated that the civilian staff would be middle-income households earning between \$25,000 and \$50,000 annually, and that contractors would be upper middle-income households earning between \$50,000 and \$100,000 annually.

Looking at the need for new and upgraded housing, household losses at the lowest income level in Hopewell would not affect the need for new housing because these households would likely be leaving older substandard housing, resulting in additional vacancies, but not affecting the need for new competitive units in the market. The reduction in lower-middle income households will result in available housing for the \$625 to \$1,250 housing tier. These units are likely more marketable, so these reductions do affect the overall need for new housing. Population losses occurring outside of Hopewell in the surrounding area will also not reduce the need for new housing in the city. The resulting demand for new housing in Hopewell would be 1,546 units.

## Housing Types by Price

Each housing tier needs to be associated with an appropriate type of housing. A monthly rent and home purchase price was calculated for each housing tier. Rents were determined by using the monthly housing budget and subtracting a reasonable amount (\$75 - \$150) for monthly utilities. Monthly rents were not determined for households earning more than \$100,000, because these rents would be much higher than the market could support. Most of these households would purchase a home, and those that do rent would choose the best rental units in the market. Home



prices were determined by calculating a monthly house payment, then the total home price was calculated assuming a 30 year fixed rate mortgage at seven percent annual interest. The monthly payment was also adjusted downward from the monthly housing allowance by subtracting utilities and 25 percent for maintenance and repairs. The associated rents and home prices are summarized in the following table.

#### **Income Level Related to Housing Expenditures**

<i>Income Level</i>	<i>Monthly Rent</i>		<i>For Sale Housing</i>	
	<i>Minimum</i>	<i>Maximum</i>	<i>Minimum</i>	<i>Maximum</i>
less than \$25,000	less than	\$550	less than	\$60,000
\$25,000 to \$49,999	\$550	\$1,150	\$60,000	\$122,000
\$50,000 to \$99,999	\$1,150	\$2,350	\$122,000	\$255,000
\$100,000 to \$199,999	--	--	\$255,000	\$530,000
\$200,000 and over	--	--	\$530,000	or more

## Housing Type by Tenure

In addition to determining the pricing mix for new units in the market, the split between rental and owner occupied units also needs to be determined. Tenancy for each income group was estimated by comparing the tenancy of Hopewell and the surrounding area to the percentage of renter households nationwide in urban areas broken down by income. These tenancy figures are shown in the following tables.

**Household Tenancy**

<i>Market Area</i>	<i>Owner Occupied</i>	<i>Renter Occupied</i>
Hopewell	56.2%	43.8%
10 Mile Radius	67.3%	32.7%

**Percentage of Renter Households  
By Household Income - Urban Areas**

<i>Household Income</i>	<i>Percent</i>
Under \$5,000	62%
\$5,000 to \$9,999	64%
\$10,000 to \$14,999	58%
\$15,000 to \$19,999	57%
\$20,000 to \$24,999	54%
\$25,000 to \$29,999	50%
\$30,000 to \$34,999	47%
\$35,000 to \$39,999	44%
\$40,000 to \$49,999	37%
\$50,000 to \$59,999	29%
\$60,000 to \$79,999	22%
\$80,000 to \$99,999	14%
\$100,000 to \$119,999	13%
\$120,000 or more	10%
Total Households	40%

*Source: US Census, American Housing Survey*

Tenancy estimates for Hopewell households were weighted slightly toward renters since the city currently has a higher percentage of renters than the nationwide average. Tenancy for households coming from the surrounding market area were weighted slightly toward homeownership, since it has a higher percentage of home ownership than the nationwide average. We estimated that civilians and contractors would have a similar housing tenancy to those in the surrounding market, while a higher than average rate of military personnel would rent. By applying these tenancy estimates, we have estimated that some 581 of the new households in Hopewell will choose be rental units, while 965 will select for-sale units. A summary of tenancy estimates and the distribution of rental and for sale units is provided in the following table.

## Total Household Growth - Summary

<i>Household Type</i>	<i>Housing Tier</i>	<i>New Households</i>	<i>% Renter Households</i>	<i>New Rental Units</i>	<i>New For Sale Units</i>
Hopewell Growth <\$25K	\$625 and under	0*	65%	0	0
Hopewell Growth \$25K - \$50K	\$625 to \$1,250	-69	50%	-35	-35
Hopewell Growth \$50K - \$100K	\$1,250 to \$2,500	170	25%	43	128
Hopewell Growth \$100K - \$200K	\$2,500 to \$5,000	135	15%	20	115
Hopewell Growth >\$200K	\$5,000 and up	17	5%	1	16
10 Mile Radius Growth <\$25K	\$625 and under	0	55%	0	0
10 Mile Radius \$25K - \$50K	\$625 to \$1,250	0	40%	0	0
10 Mile Radius \$50K - \$100K	\$1,250 to \$2,500	153	15%	23	130
10 Mile Radius \$100K - \$200K	\$2,500 to \$5,000	381	10%	38	343
10 Mile Radius >\$200K	\$5,000 and up	64	5%	3	61
Officers	\$1,250 to \$2,500	31	25%	8	24
Warant Officers	\$625 to \$1,250	9	40%	4	6
Enlisted	\$625 to \$1,250	386	75%	289	96
Civilians	\$625 to \$1,250	106	40%	42	63
Contractors	\$1,250 to \$2,500	22	15%	3	19
ALMC PCS Students (1 year tenure)**	\$625 to \$1,250	141	100%	141	0
<b>Total</b>		<b>1,546</b>	<b>38%</b>	<b>581</b>	<b>965</b>

\* Loss of low income households will result in vacant existing units and not affect the need for new units

\*\* All students will be new to the area but have an option to live off base

## Distribution of New Housing Units

Now that the tenancy and price levels have been determined for the new housing supported in Hopewell, we can conclude an overall unit mix, which is summarized in the following table.

### Distribution of New Units

<i>Rental Units</i>	<i>Number of units</i>
Moderately Priced Rental (\$550 to \$1,150)	442
Premium Priced Rental (\$1,150 and up)	144
<b>Total Rental</b>	<b>586</b>
 <i>For Sale Units</i>	
\$60,000 to \$122,000	131
\$122,000 to \$255,000	294
\$255,000 to \$530,000	458
\$530,000 and up	77
<b>Total For Sale</b>	<b>960</b>
<b>TOTAL ADDITIONAL UNITS</b>	<b>1,546</b>

## ***ABSORPTION AND TIMING***

The projected demand for over 1,500 net new housing units in Hopewell over the next five years suggests a market absorption rate of an average of 26 units per month. It would be difficult to pinpoint a specific timeline for this new development, but we believe it is important to identify major influences that will affect the development of new housing.

The typical pattern of development of new housing starts slowly and gains momentum as early projects are completed and occupied, proving the market's viability and attracting the interest of additional developers. However, due to the large influx of new area residents as a result of the Fort Lee base realignment, housing development in Hopewell will need to ramp up more quickly or be left behind. According to the Fort Lee Public Affairs Office the additions to the base population will begin in 2009 and be largely complete by the end of 2011. Although there is about two and half to three years before the first wave of new residents arrive, the development timeframe is much shorter considering the amount of time needed to plan and construct large projects. Marketing efforts by the city and developers should begin even sooner. Families looking to move into a newly constructed home upon arrival to the area will begin looking well in advance of their move and will likely make their purchase six month to a year in advance. As a result marketing materials, sales offices, and model units need to be ready within a year to 18 months in order to capture a fair share of the new households moving to the area. Real estate agents and the Army Public Affairs Office have confirmed that some of the new personnel are already beginning their home searches and a few have already purchased land or homes in anticipation of their move. It is critical that marketing and development plans be in place well before 2009 to capture the interest and potential sales of those deciding where to live in the vicinity of Fort Lee.

The growth in the regional market not directly associated with the Fort Lee realignment will be more steady with projected population increases of about one percent per year over the next five years. The ability of Hopewell to capture a fair share of this growth will be directly related to the creation of attractive new units in the market. We also expect a similar growth pattern to continue well beyond the five year time frame. The rate of this growth will likely increase as the local economy expands to meet the need of the expanded population at Fort Lee.

To determine the baseline growth we have used the same demand calculations used in the previous section but eliminating demand from Fort Lee. This housing demand is summarized in the following table.

### Baseline Household Growth (Fort Lee Excluded) - Summary

Household Type	Housing Tier	Growth	Hopewell Capture	% Renter Households	New Rental Units	New For Sale Units	New Households
Hopewell Growth <\$25K	\$625 and under	-157	100%	65%	0	0	0*
Hopewell Growth \$25K - \$50K	\$625 to \$1,250	-69	100%	50%	-35	-35	-69
Hopewell Growth \$50K - \$100K	\$1,250 to \$2,500	170	100%	25%	43	128	170
Hopewell Growth \$100K - \$200K	\$2,500 to \$5,000	135	100%	15%	20	115	135
Hopewell Growth >\$200K	\$5,000 and up	17	100%	5%	1	16	17
10 Mile Radius Growth <\$25K	\$625 and under	-815	0%	55%	0	0	0
10 Mile Radius \$25K - \$50K	\$625 to \$1,250	-430	0%	40%	0	0	0
10 Mile Radius \$50K - \$100K	\$1,250 to \$2,500	1,018	15%	15%	23	130	153
10 Mile Radius \$100K - \$200K	\$2,500 to \$5,000	2,543	15%	10%	38	343	381
10 Mile Radius >\$200K	\$5,000 and up	426	15%	5%	3	61	64
<b>Total</b>		<b>2,838</b>	<b>24%</b>	<b>11%</b>	<b>93</b>	<b>758</b>	<b>851</b>

\* Loss of low income households will result in vacant existing units and not affect the need for new units

This indicates Hopewell can attract 851 new households over the next five years from growth not directly related to Fort Lee. This is equivalent to an average of 170 households a year, a rate of growth we believe will continue well beyond the five year time frame. Comparing the projected absorption to the actual current absorption of new units in Hopewell indicates the scale of the opportunity to be capitalized upon.

There are two developments actively selling and building new homes in Hopewell, Cobblestone and Cambridge Estates. Both developments were selling homes at steady pace, and each developer indicated they were selling between 1.5 and three homes per month. In addition other small scale developments and individual homes were being built in Hopewell. Combining all of the for sale home development we estimate a current absorption of six new for sale units per month. To achieve the additional 758 for sale units over the next five years average market absorption would need to increase to 12.6 units per month, a 110 percent increase. If the market includes a wide variety of attractive units at different price points, we believe this level of improvement in market absorption is aggressive, but realistic and achievable provided the necessary sites for new construction can be made available.

The baseline household growth indicates an additional 93 new rental households over the next five years. To achieve this growth a very modest absorption rate of 1.6 units per month would be required. With attractive new rental housing, including large apartment communities similar to those in surrounding areas, we believe these numbers can easily be achieved and even surpassed.

In order to draw a realistic comparison to the current market in Hopewell, the absorption analysis in the previous paragraphs did not include growth resulting from the Fort Lee expansion. Including base expansion, absorption of for-sale housing needs to increase to average 16.1 units per month and rental housing needs to average 9.7 units per month. This expansion will have a huge impact on the rental housing market, increasing the number of new units needed and absorption rates by over 500%. The impact on the for-sale market is smaller, increasing demand by 27 percent. Overall, the Fort Lee expansion accounts for 45 percent of the additional demand in the Hopewell housing market over the next five years.

## LAND REQUIRED FOR NEW RESIDENTIAL DEVELOPMENT

In comparison to the surrounding counties, Hopewell has limited land available for new development. To plan for the city's needs for additional housing, we have sought to specific land required to accommodate the unit targets. First, a residential housing mix was estimated for each income level of owner-occupied and rental housing, separating unit types into single-family homes, townhouses, apartments and condominiums. The overall mix of new housing is summarized in the following table and compared to the existing mix of housing types in Hopewell and the surrounding market area.

### Estimated Housing By Unit Types

	<i>New Development</i>	<i>Hopewell Current</i>	<i>Market Area</i>
Single family home	44.0%	69.5%	72.4%
Single family attached (Townhouse)	11.5%	4.5%	4.1%
Apartment/Condominium	44.5%	26.1%	23.5%

The mix of new units is weighted more heavily toward multi-family developments than the existing housing in the market. The limited space available for new development in Hopewell makes it necessary to shift priorities to denser residential development. This results a 15 percent reduction in the amount of land needed to accommodate this development. We believe Hopewell can comfortably support a higher percentage of quality multi-family development in the future. Higher density development along the river will maximize the number of units able to capitalize on views of the river, while still leaving areas along the river available for public space and recreation areas. Some sites with river views should also be utilized detached and attached single family homes at the high-end of the market. Mixed-use multi-family development in the downtown area will be a unique product in the city with limited availability elsewhere in the market. Such developments with first floor retail space located near the new library and Beacon Theater would be especially attractive. New buildings and residents will provide a much needed upgrade in the building stock and add street activity to downtown along with market support for downtown shops and entertainment. The absence of competitive rental apartment products should be addressed particularly to meet the needs of servicemen and their families.

A unit per acre estimate was applied to each type of housing in able to determine the total amount of land needed for the new residential development. Moderately priced single family homes for renters and buyers will most likely take the form of infill development on smaller lots of a quarter acre or less, while townhouses will be built more densely at six units per acre. Apartments are estimated to be 15 units per acre which is similar to other apartment developments in the market. Higher price homes will likely be built in subdivision developments including common grounds and larger lot sizes. For example Cambridge Estates features mid-priced homes on a third of an acre, and Cameron's Landing is planned for 151 homes on a 150 acre site. Condominiums are estimated to be 12 units per acre, which is less dense than the rental apartments. Due to the disappointing sales at Anchor Point which featured a high-density building, we believe most future condominium developments should feature larger units in structures about to three stories in height. Other condo developments may be located in the downtown area and

a high rise building would not fit well into the surrounding neighborhood. The following table summarizes the unit mix, units per acre and the resulting land requirements for residential development.

### **Distribution of New Units and Estimated Land Needed**

<i>Rental Units</i>	<i>Housing mix</i>	<i>Number of units</i>	<i>Units per Acre*</i>	<i>Acres for Development</i>
<b>Moderately Priced Rental (\$550 to \$1,150)</b>		<b>442</b>		
Single family home	10%	44	4	11.0
Single family attached (Townhouse)	10%	44	6	7.3
Apartment	80%	354	15	23.6
<b>Premium Priced Rental (\$1,150 and up)</b>		<b>144</b>		
Single family home	0%	0	2	0.0
Single family attached (Townhouse)	30%	43	5	8.6
Apartment	70%	101	12	8.4
<b>Total Rental</b>		<b>586</b>		<b>59.0</b>
<i>For Sale Units</i>				
<b>\$60,000 to \$122,000</b>		<b>131</b>		
Single family home	65%	85	4	21.3
Single family attached (Townhouse)	15%	20	6	3.3
Condominium	20%	26	12	2.2
<b>\$122,000 to \$255,000</b>		<b>294</b>		
Single family home	60%	176	2.5	70.4
Single family attached (Townhouse)	15%	44	3.5	12.6
Condominium	25%	74	12	6.2
<b>\$255,000 to \$530,000</b>		<b>458</b>		
Single family home	70%	321	1.5	214.0
Single family attached (Townhouse)	5%	23	3	7.7
Condominium	25%	115	12	9.6
<b>\$530,000 and up</b>		<b>77</b>		
Single family home	70%	54	1.5	36.0
Single family attached (Townhouse)	5%	4	3	1.3
Condominium	25%	19	12	1.6
<b>Total For Sale</b>		<b>960</b>		<b>386.1</b>
<b>TOTAL ADDITIONAL UNITS/ACRES</b>		<b>1,546</b>		<b>445.0</b>

*\* Land includes neighborhood streets, green space, parks, and public facilities*

Using this analysis we have determined that about 445 acres of land will need to be developed or redeveloped to accommodate the new demand for housing in Hopewell. However, several residential projects have already prepared land for future development and the Anchor Point development includes a large amount of land that has been cleared, but not yet developed. The following table considers these developments and determines the total net amount of land needed for new development and redevelopment.

**Total new units and land needed for development**

<i>Rental Units</i>	<i>Number of units</i>	<i>Acres for Development</i>
Moderately Priced Rental (\$550 to \$1,150)	442	42
Premium Priced Rental (\$1,150 and up)	144	17
<b>Total Rental</b>	<b>586</b>	<b>59</b>
<i>Less Units in Development</i>	<i>0</i>	<i>0</i>
<b>New Rental Units/Land Needed</b>	<b>586</b>	<b>59</b>

<i>For Sale Units</i>	<i>Number of units</i>	<i>Acres for Development</i>
\$60,000 to \$122,000	131	27
\$122,000 to \$255,000	294	89
\$255,000 to \$530,000	459	231
\$530,000 and up	77	39
<b>Total For Sale</b>	<b>961</b>	<b>386</b>
<i>Less Units in Development</i>	<i>221</i>	<i>175</i>
Cobblestone (\$122,000 to \$255,000)	22	6
Cobblestone (\$255,000 to \$530,000)	22	9
Cambridge Estates (\$122,000 to \$255,000)	26	10
Cameron's Landing (\$255,000 to \$530,000)	151	150
<b>New For Sale Units/Land Needed</b>	<b>740</b>	<b>211</b>
<b>TOTAL NEW UNITS/LAND NEEDED</b>	<b>1,326</b>	<b>270</b>
Less Undeveloped Land at Anchor Point		80
<b>NET NEW LAND NEEDED FOR DEVELOPMENT</b>		<b>190</b>

After accounting for the land currently being developed and the available land at Anchor Point, the net amount of land needed to accommodate projected new residential development (5 years) in Hopewell is 185 acres; this represents about three percent of the city's total land area (roughly 6,000 acres). We anticipate that a significant portion of the development will be either new infill or the redevelopment of neighborhood blocks. This will reduce the need for large scale development sites, which are rare in Hopewell. On the other hand, assembling sites for neighborhood redevelopment can be difficult due the large number and variety of ownership entities that exist in an urban area. This also extends the development timeline and requires significant cooperation between the developer and city government.

**CONCLUSION**

Hopewell and the surrounding market is expected to experience unprecedented growth in the near future due to the combination of significant increases in personnel at Fort Lee and suburban fringe growth from the Richmond metropolitan area. Currently, Hopewell is not in a position to take advantage of this growth.

Over 15 percent of the identified market area's households are located in Hopewell. Yet, according to census projections, the city will only capture about three percent of the growth the market area will experience in the next five years. In order to take better advantage of this growth opportunity, the city must upgrade and expand its housing offerings. By improving its housing stock, Hopewell will be much more competitive in the regional housing market than prior



projections indicate. We believe that growth within the market the next five years can support 1,546 new units of housing in Hopewell.

About 45 percent of this new demand will result directly from the growth of Fort Lee, which will start to be felt in the housing market in late 2007 and 2008 (with the unit transfers occurring in 2009 through 2011). Many of the households moving to the area will start looking for new housing well in advance of their actual move, so it is important that plans and marketing activity for new residential development begin over the next year and a half. Comparing current new home absorption to projected absorption reveals aggressive, but attainable development goals. A projected absorption rate for new rental housing is more modest and should be more easy to achieve. Most of this new housing will be targeted to middle- and upper-middle-income families, with similar portions for households on either end of the income scale. Due to the limited available land in Hopewell and market opportunities along the river and in downtown, the unit mix gives greater weight to multi-family developments than currently exists in the market. In total, new residential development will require 185 net acres of land in the city to be developed or redeveloped.

#### **RECOMMENDATIONS**

In addition to identifying and quantifying the increased demand for housing in Hopewell over the next five years, we offer the following recommendations to help achieve these goals.

- Land assembly is the critical issue facing the city and potential developers interested in building new homes in Hopewell. The city should work aggressively to assemble suitable sites for residential development.
- New developments should be carefully planned and marketed. Another disappointing development such as Anchor Point could be a huge set-back for the city. A failed development can hinder efforts to attract future developments.
- The riverfront is the city's greatest asset in attracting high quality residential development, yet it is barely being taken advantage of today. Many areas are overgrown, limiting river views, while other areas are occupied by less desirable developments thereby discouraging more attractive developments. It is also important to upgrade and add public spaces and recreation areas along the river that will benefit the entire city. Marketing material from residential communities in surrounding areas rely heavily on the appeal of the river setting. Hopewell should similarly take advantage of this asset.
- Improving local business districts, upgrading stores and adding new neighborhood retail options will make Hopewell more attractive to homeowners. Residents appreciate convenient access to local goods and services. If local stores are not providing a pleasurable shopping experience, residents will go elsewhere for their shopping needs.

- Consider new, high-quality, affordable housing as a tool to stabilize neighborhoods and upgrade the housing stock. Although the focus should be on upgrading market rate housing, strategic provision of quality affordable housing actually contributes to achieving this goal. Some neighborhoods are not positioned to attract market rate housing initially. However, by upgrading its housing stock with new affordable infill projects, Hopewell's chances of capturing market rate development in the future are enhanced. Also many of the new workers and enlisted soldiers coming to Fort Lee will qualify for low and moderate income affordable housing.
- Capitalize on the positive side of Hopewell's reputation for affordable housing. Affordable housing does not only mean Section 8 apartment buildings, mobile homes and poorly maintained rental homes. Providing attractive for sale housing at affordable prices can attract young families to a community. We estimated that about 30 percent of new single family housing that Hopewell can aspire to capture will be priced below \$190,000, with 131 units priced around \$120,000. This type of home will be especially attractive to young military families seeking to buy their first homes. The quality of Hopewell's schools should be a strong draw for these families. By providing homes at a variety of price points, Hopewell can attract young families and keep them as their incomes rise and they look for larger homes.
- Speculative investors can drive up the price of potential developments or delay development for long periods of time. Although the growth occurring at Fort Lee provides an excellent opportunity for Hopewell, it can also create unique problems. A few people we spoke with have seen examples of people from outside the area looking to purchase property, existing homes and new homes for speculative investment or as rental properties. Hopewell has already identified a problem with its large supply of single family rental homes. If new homes are purchased for use as a rental property, the current problems will persist.

## RETAIL

The presence of appropriate retail development in a city generates activity, adds value to surrounding development, and provides needed services to nearby residents. The city enjoys good access and visibility from Interstate 295 and Highway 10, but due to aging retail infrastructure, stagnant population growth, and lower than average incomes, Hopewell has been largely overlooked as a site for retail development. Major retail development has occurred in nearby communities, including Colonial Heights, which has an extensive super-regional retail agglomeration just three miles west of Hopewell. This area is anchored by South Park Mall, a major regional mall with four anchors and 84 in-line stores. The area also includes a Target, Wal-Mart and Sam's Club, among other national retailers.

### Retail Supply and Demand

The potential level of market support for retail development can be estimated by analyzing supply, demand, and competitive market factors. Comparing supply and demand data provided by Claritas shows a significant undersupply of retail in Hopewell and an oversupply of retail in surrounding areas. The following indicates the total retail opportunity gap or surplus in each area:

#### Overall Spending Gap (Surplus)

Type of Center	Demand (Consumer Spending)	Supply (Est. Retail Sales)	Opportunity Gap (Surplus)	Gap (Surplus) as a percentage of Spending
Hopewell	\$283,335,180	\$115,151,907	\$168,183,273	59.4%
Surrounding Area (10 mile radius)	\$1,888,590,767	\$2,256,547,041	(\$367,956,274)	-19.5%
Hopewell and Surrounding Area	\$2,171,925,947	\$2,371,698,948	(\$189,682,669)	-8.7%

Only about 40 percent of retail spending done by Hopewell residents occurs in Hopewell stores. The surrounding area has a large inventory of retail facilities that is being supported by spending from outside the area. Consumer spending that leaves Hopewell supports almost half of this surplus retail supply.

Due to the limited availability of land and strong competition from the major retail destinations concentrated in Colonial Heights, it is unlikely that Hopewell will be able to attract a large concentration of national retailers to sites in the city. However, the above table reveals that there is a significant amount of retail demand in Hopewell that can be served by smaller and more conveniently located stores within Hopewell. In addition, we are confident that additional new retail development concentrated at the I-295 and Oaklawn interchange could be very successful. Local demand can support new or upgraded retail options in this area, which has excellent visibility and access from the interstate.

Retail demand can be accommodated in several areas. Small locally owned stores can be very successful on a neighborhood level by providing unique goods and services or daily needs. Convenience stores, pharmacies, coffee shops, gift shops and hardware stores can be very

successful in this segment of the market. The table above provides a broad overview of retail market demand and supply, a detailed analysis of specific retail store types is needed to identify opportunities in Hopewell and quantify the amount of retail space that could be supported by the surplus demand that exists within the city.

The following table indicates regional retail demand by retail store type. It also estimates the amount of additional retail square footage and the number of new stores that could be supported by the un-served demand that is currently “leaking” from Hopewell. This demand is currently being served by retail facilities located elsewhere.

### Hopewell Retail Demand

<i>Retail Stores</i>	<i>Opportunity Gap/(Surplus)</i>	<i>Typical Store Sq. Ft.</i>	<i>Estimated Sales per Sq. Ft.*</i>	<i>Model Store</i>	<i>Justified Add'l Sq. Ft.</i>	<i>Justified Add'l Stores</i>
Automotive Parts/Accsrs, Tire Stores	(\$814,186)	7,000	\$200	AutoZone	(4,100)	(1)
Furniture and Home Furnishings Stores	\$141,452	8,000	\$350	Pier 1	400	0
Electronics and Appliance Stores	\$4,492,404	10,000	\$400	Radio Shack	11,200	1
Building Material, Garden Equip Stores	\$21,596,342	20,000	\$300	independent	72,000	4
Supermarkets, Grocery (Ex Conv) Stores	\$19,103,850	40,000	\$350	Food Lion	54,600	1
Convenience Stores (not including pharmacy)	\$1,028,782	10,000	\$650	Walgreens, CVS	1,600	0
Specialty Food and Liquor Stores	(\$4,978,148)	2,500	\$300	independent	(16,600)	(7)
Pharmacies and Drug Stores	\$7,398,281	1,700	\$1,000	Medicine Shoppe	7,400	4
Gasoline Stations	(\$1,793,511)	2,000	\$1,300	BP, Mobil	(1,400)	(1)
Clothing and Clothing Accessories Stores	\$8,486,948	7,500	\$350	J. Crew, NY & Co.	24,200	3
Sporting Goods, Hobby, Book, Music Stores	\$4,110,208	10,000	\$250	independent	16,400	2
General Merchandise Stores	\$29,678,288	25,000	\$300	JC Pennys, Stein Mart	98,900	4
Miscellaneous Store Retailers	\$5,913,908	2,000	\$200	independent	29,600	15
Full-Service Restaurants	\$11,826,941	4,000	\$350	Applebee's, Olive Garden	33,800	8
Limited-Service Eating Places	\$1,963,122	3,000	\$400	McDonalds, Starbucks	4,900	2
Drinking Places - Alcoholic Beverages	\$2,445,288	3,000	\$375	independent	6,500	2
<b>Totals</b>	<b>\$110,599,969</b>				<b>339,400</b>	<b>39</b>

Supply and demand data provided by Claritas, 2006

\* Estimated sale per square foot determined using retail industry benchmarks from BizStats.com and ULI Dollars and Cents of Shopping Centers, 2004

The table indicates that the greatest regional retail opportunity gaps exist in the building material and general merchandise stores. However, large retailers such as Home Depot, Target and Wal-Mart are located nearby in Colonial Heights. Also, these retail segments show significant retail surplus sales captured within the 10 mile market area, suggesting that much of this excess demand is being satisfied outside of Hopewell. Due to the strong competition in the surrounding area it is unlikely that the entire retail spending gap in these categories could ever be filled within Hopewell. However, the excess demand from Hopewell suggests that smaller local retailers in these segments can be successful by serving local customers with attractive and convenient shopping options.

A few retail sectors show gaps even in the surrounding market area. Stores in these retail sectors can more fully benefit from the excess demand in Hopewell, and may even appeal to consumers in the surrounding area. The following table identifies these retail sectors along with the percentage of the demand in each segment that is not served within in the market.

## **Retail Segments with Excess Demand**

### **10 Mile Radius Market Area**

<i>Retail Sector</i>	<i>Unsatisfied Demand</i>
Full-Service Restaurants	50%
Home Furnishings	49%
Miscellaneous Store Retailers	43%
Nursery and Garden Centers	42%
Supermarkets	28%
Pharmacies and Drug Stores	21%
Sporting Goods, Hobby, Book, Music Stores	17%
Clothing and Clothing Accessories Stores	6%

Since there is less competition in the surrounding area for these customers, Hopewell retailers have a better opportunity to take advantage of the gaps identified in the first table. These retail sectors mesh well with the existing retail environment in Hopewell. Few of these sectors are dominated by a small number of big box national retailers, and smaller independent stores can be successful players in these markets.

Still, new stores in Hopewell will be competing with larger, more modern retailing options in surrounding cities. In order to capture even the local market, local business districts must upgrade facades and streetscapes, while new stores will need to provide attractive shopping environments – clean and open retail spaces with inviting storefronts and signage. Residents appreciate convenient access to local goods and services, but if local stores are not providing a pleasurable shopping experience or their prices are out of line, people will go elsewhere for their shopping needs. Many existing stores in Hopewell are not well maintained, and lack upgrades needed to attract customers from a wide range of income levels. As a result, many customers choose retailers in neighboring cities. By not keeping stores attractive and in good maintenance, owners end up catering only to those who cannot shop elsewhere; essentially cutting their market in half. Retail studies have shown that low-income inner-city customers value attractive shopping environments as much as middle-income consumers, but have less ability to travel farther to find these more attractive stores. Improved maintenance and upgrades will allow Hopewell shopping districts to attract more consumers from the higher-end of the market and make the location more appealing for new stores.

## Retail Conclusions and Recommendations

The Hopewell market has retail gaps in almost every sector of the market. Excess, currently unserved demand in the area could support almost 340,000 square feet of additional retail space and a mixture of 39 additional stores and restaurants located within Hopewell proper. Due to strong competition from large national retailers located in nearby cities, the regional highway system and development patterns, Hopewell has little prospect of capturing 100 percent of this leaked retail spending. However, several retail sectors show strong potential at both the city and larger market area level. The sectors are especially appropriate for smaller independent stores that would fit within the small city retail environment offered by Hopewell.

We recommend a focus on small independent stores and restaurant owners who offer a variety of unique products or everyday convenience goods and services to neighborhood and city residents. Gaps in the surrounding market area suggest a concentration of attractive small stores and restaurants could even attract some demand from outside Hopewell.

Many of the stores in Hopewell are old and poorly maintained and have very little customer appeal. Repairing and upgrading store interiors and exteriors will provide a more attractive shopping atmosphere and appeal to a wider variety of local shoppers.

### *HOTEL AND HOSPITALITY SERVICES*

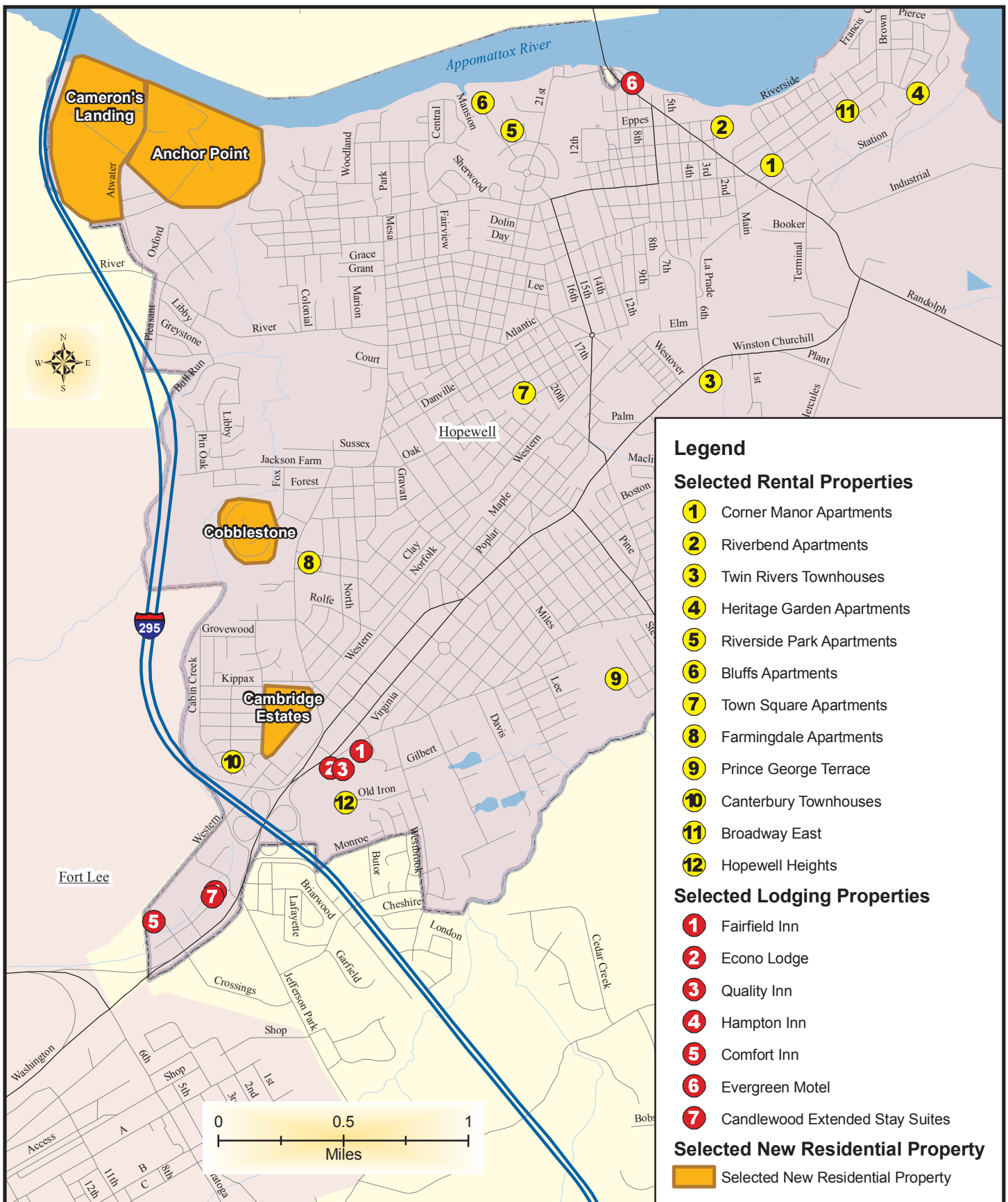
The major expansion of Fort Lee suggests there will be increased demand for hotel rooms in Hopewell. There are currently six name-brand limited service hotels located along Oaklawn Avenue near the interchange with I-295 in Hopewell. All of these hotels offer excellent access to the interstate and Fort Lee. We did not receive data regarding the anticipated increase in visitors to the base needing a hotel room, but the daily work population of Fort Lee is expected to increase by about 90 percent by 2011. We believe that this increase will easily support one or two additional hotels of similar size located with easy access and good visibility from I-295. Unfortunately, appropriate sites for this type of development are very limited.

One possibility is the redevelopment of the Evergreen Motel as a hotel and conference center. The site is located just east of Highway 10 immediately south of the Appomattox River. However, it is unlikely the market would support a major hotel and conference center development at this location. While the site is prominently situated on Highway 10 with potential for riverfront views and access, it is severely constrained in terms of highway access, visibility and amenities. Highway 10 runs through the northern section of Hopewell, but the areas on either side of the city are mostly undeveloped, so the highway serves mainly local traffic. The site is located over three miles from the nearest exits from Interstate 295. Any potential major operator of a hotel and conference center would require better interstate access and visibility near Fort Lee.



Besides the river access and views, the area surrounding this site does not provide amenities that would reinforce the presence of a hotel and conference center and appeal to out of town visitors. During their free time, visitors to the hotel and conference center will seek a quick meal at a familiar national restaurant chain or a well regarded local restaurant, and spend time in local stores or shopping centers. The proposed site lacks access to these types of retail and service amenities. We believe effective demand is and will be insufficient to justify a hotel and conference center at this location.

The large increase in activity and daytime population at Fort Lee over the next five years, suggests demand for hotel and hospitality service will increase. Currently, there are seven nationally branded limited service hotels located in Hopewell near the Interstate 295 interchange. As a result, one or two additional hotels could be supported by new visitors to the base. However, the Evergreen Motel site is inappropriate to capture this emerging new demand for hotel space. It is too far from interstate highway interchanges and from Fort Lee and lacks complementary amenities and attractions.



# RESIDENTIAL PROPERTIES

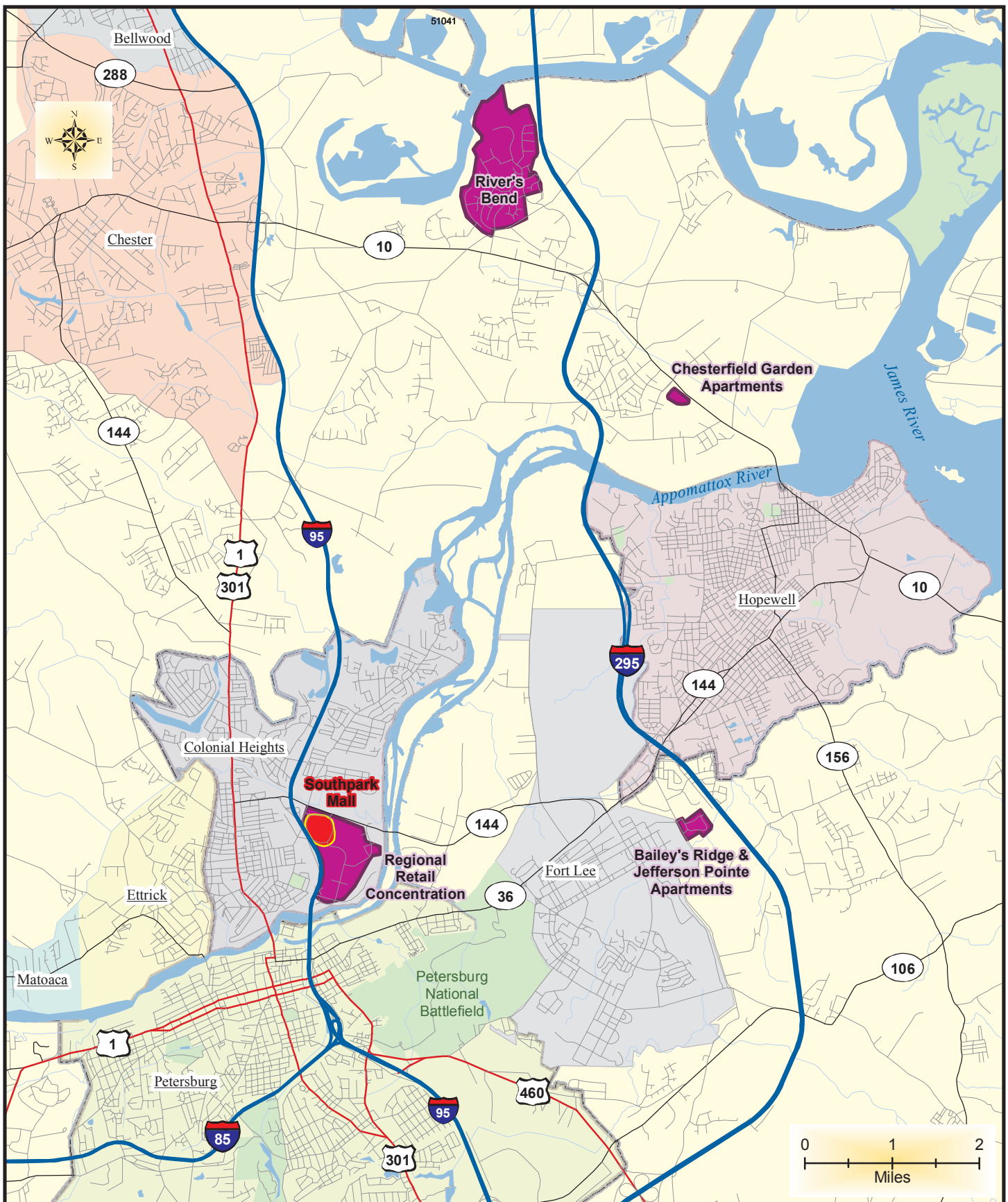
## Hopewell Development Project

### Hopewell, Virginia

**DEVELOPMENT STRATEGIES**  
CONSULTANTS IN REAL ESTATE, COMMUNITY, AND ECONOMIC DEVELOPMENT

September 2006





# **REGIONAL DEVELOPMENT** Hopewell Development Project Hopewell, Virginia

**DEVELOPMENT STRATEGIES**  
CONSULTANTS IN REAL ESTATE, COMMUNITY, AND ECONOMIC DEVELOPMENT

September 2006